

The State PIRGs' Higher Education Project

March 17, 2003

Dear Representative Miller:

We are writing to thank you for your introduction of the College Affordability and Lifetime Savings Act. This legislation would offer a tax credit for half of students' interest payments on federal education loans, saving the average student borrower nearly \$500 in the first year of repayment.

At a time in which students are experiencing record college tuition increases and state budget cuts to higher education programs, this legislation will help to ensure that students will not be saddled by unmanageable debt upon leaving school. This tax credit would save the typical student borrower more than double the amount currently provided under the tax deduction for student loan interest payments, and would offer significantly more assistance to low-income borrowers than the deduction currently provides.

Pursuing a college degree should not require a lifetime of burdensome debt. Yet 39 percent of student borrowers struggled with unmanageable monthly student loan payments in 1999-2000, according to a state PIRGs' report analyzing average incomes and loan payments of recent college graduates. The average student borrower graduated with nearly \$17,000 in federal education loan debt during this period, and will pay an additional \$8,000 in interest over a ten-year repayment plan with the current maximum interest rate for federal student loans.

Unmanageable debt can significantly impact the investment that recent college graduates can make in our economy. According to a 1998 Nellie Mae report, 40 percent of borrowers reported that their student loan debt delayed their purchase of a home, compared to 25 percent in 1991. A tax credit would provide relief to student borrowers, allowing them to contribute more fully to our economy.

We thank you for your leadership and your commitment to making college more affordable for thousands of students. Your legislation will help relieve the burden of loan debt that too many students face after leaving school.

Sincerely,

Kathryn Rube
State PIRGs' Higher Education Associate